

The Link

**Quarterly Activity Report
April -- June 2003**



Office of Administrative Services

Reorganization

During the 4th quarter, the Office of Administrative Services processed the documents necessary to implement Administrative Order 2003-001. Reorganization efforts will result in a more appropriate internal structure, which will more effectively support the mission and strategic plan of the Department. The employees of the Department of Workers' Claims carry out their responsibilities with integrity, accountability, service, and commitment. Furthermore, these internal changes will increase efficiency and provide better service to the public, injured workers, employers, and stakeholders.

Budget

The Department of Workers' Claims receives funding from an assessment levied on workers' compensation insurance premiums and simulated premiums on self-insurance employers, which is collected by the Workers' Compensation Funding Commission (KRS 342.122).

These funds are restricted and no general fund dollars are appropriated for the Department of Workers' Claims operations.



DWC's enacted budget for Fiscal Year ending 2003 was \$16,397,700. As of June 30, 2003, DWC spent and encumbered \$13,384,936 or 82% of the enacted budget.

The Department has and will meet all budget reduction targets for discretionary expenditures and personnel reductions as required by Governor's Executive Order 2002-1334 and House Bill 269 as enacted by the 2003 General Assembly.

CONTENTS

Claims and First Report Data	Page 2/3	Ombudsmen and Specialist Services	Page 6
Claims Processing and Appeals	Page 4	Information and Research	Page 7
Administrative Law Judge Activity	Page 5	Security and Compliance	Page 8/9
Office of General Counsel	Page 5		

Quarterly



Statistics

QUARTERLY ACTIVITY

Lost Time First Reports of Injury	8,281	Dismissals	179
Claims Assigned	1,762	Re-openings (medical)	167
Pre-litigated Agreements	1,026	Re-openings (overruled)	26
Awards	364	Re-openings (sustained)	73
Agreements	811	Re-openings (motion docket)	141

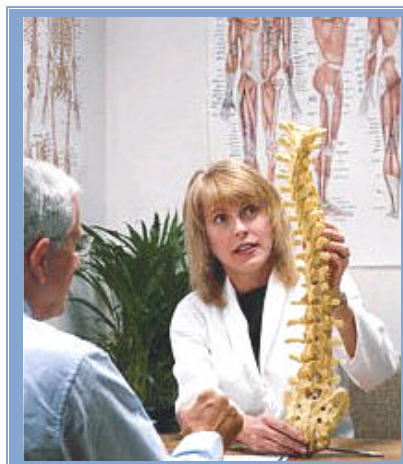
CWP Claims Processing Activity

Claims Received and Temporarily Assigned	176
Consensus from Panel	173
Final CWP Reading/No Consensus	5
Notice of Consensus/Reopening	18
Claims Received with No Consensus	216
Parties Consensus	11

Distribution by Body Part (top ten)

Claims

Lungs	377
Lower Back	326
Multiple Body Parts Including Systems	257
Knee	93
Shoulders	92
Wrist	68
Disc	56
Ears	50
Multiple Upper Extremities	34
Soft Tissue Neck	31



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(First Report of Injury)

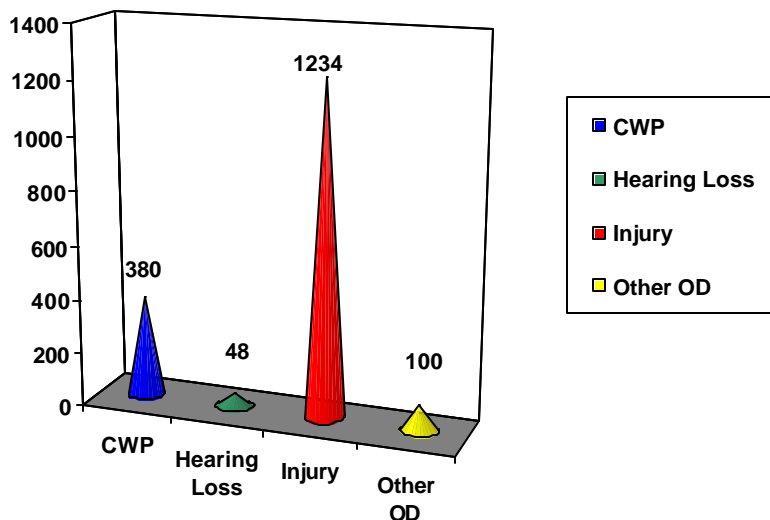
Lower Back	1,562
Multiple Body Parts Including Systems	1,059
Knee	649
Shoulders	530
Fingers	453
Wrist	403
Hand	379
Ankle	355
Foot	273
Abdomen Including Groin	257

Quarterly



Statistics

Distribution of Claims by Type



Top 10 Causes of Injury Claims

Strains or Injured by	567
Absorption/Ingestion	380
Fall or Slip	311
Struck or Injured by	141
Repetitive Motion	101
Motor Vehicle	90
Other Injury (NOC)	41
Caught in or between	40
Striking Against or	
Stepping on	32
Cumulative Injury (NOC)	18

Distribution By Industry

	Claims	First Reports
Agriculture, Forestry, Fishing	16	114
Mining	564	474
Construction	136	704
Manufacturing	332	1,858
Transportation, Communication, Public Utilities	125	693
Wholesale Trade	53	317
Retail Trade	169	1,231
Finances, Insurance and Real Estate	17	112
Services	288	2,111
Public Administration	48	598
Unclassified	14	69

Division of Claims Processing and Appeals

The **Claims Assignment Section** processes and assigns all new applications for resolution of claims and re-openings to the law judges. During this period, 1,394 new claims were processed (145 were CWP Claims) and 1,191 new claims were assigned. In addition, 331 cases were referred from the motion docket for assignment to the judges.

The **Docket Section** prepares motions in cases that have not been assigned to a law judge and places them on the Frankfort Motion Docket for a ruling by the Chief Administrative Law Judge (CALJ). Section staff assigned 848 motions to the Frankfort Dockets. The specialist attended the docket meetings and recorded the rulings of the CALJ. The staff completed and processed the judge's orders.

The **Case Files Section** receives and processes motions to reopen, attorney fee motions, requests for widow's benefits, and miscellaneous motions in cases that have not been assigned to the law judges and prepares them for assignment to the Docket Section. The Case Files Section received 793 new motions and assigned a total of 636 motions. Documents and mail were processed in cases assigned to the judges and forwarded accordingly. After final decisions are rendered and appeal time has expired, the law judges return the files to the Department to be audited. Total files returned for this period was 1,452.

The **Open Records Section** responds to open records requests for information. This quarter, 6,101 written requests, 3,799 pre-employment requests, and 63 requests from the Social Security Administration were processed as well as 69 requests from the Department of Fish and Wildlife Resources. Monies collected for copy charges totaled \$15,722.



The **Appeals Branch** processed 108 first time and eight second time appeals. The Workers' Compensation Board ordered final disposition on twelve claims, but no full board opinions were rendered. Board member Honorable Jonathan Stanley rendered 39 opinions, Honorable John A. Gardner, 33 opinions, and Honorable Dwight T. Lovan, 36 opinions. 40 decisions were appealed to the Court of Appeals for which 32 records were prepared and sent to the court by the Appeals Branch. The court rendered 22 opinions on the claims considered. 19 claims went to the Supreme Court which ordered 20 opinions and five final dispositions.

Administrative Law Judges

For the fourth quarter of the fiscal year, there were 16 Administrative Law Judges, one of whom was designated as Chief Administrative Law Judge. The Administrative Law Judges have offices in ten locations and hear cases at hearing sites in twelve cities across the state. The Administrative Law Judges held 1,196 benefit review conferences where they presided over settlement negotiations, ruled on evidentiary disputes and identified contested issues. The Judges also held 624 formal hearings, issued 475 opinions, and issued 46 decisions in claims on remand from the Workers' Compensation Board, the Court of Appeals, and the Supreme Court of Kentucky.



Office of General Counsel

Between April and June, the Office of General Counsel received 81 citation cases, three unfair claims practice cases, and two fraud cases with fines and penalties collected totaling \$56,276.32.

The Office was involved with continued activity related to Green Coal/Green Coal Construction Escrow Account.

Two emergency regulations were filed:

- 1) 803 KAR 25:010E - Procedure for adjustments of claims: The Department amended the form 106 to comply with HIPAA requirements.
- 2) 803 KAR 25:125E - Computation of Attorney Fee in Award of Retraining Incentive Benefits pursuant to KRS 342.732(1)(a) and Interim Attorney Fee Motions: This is a new regulation drafted to assist in processing claims for Retraining Incentive Benefits by allowing claimants to obtain appropriate legal assistance from an attorney.

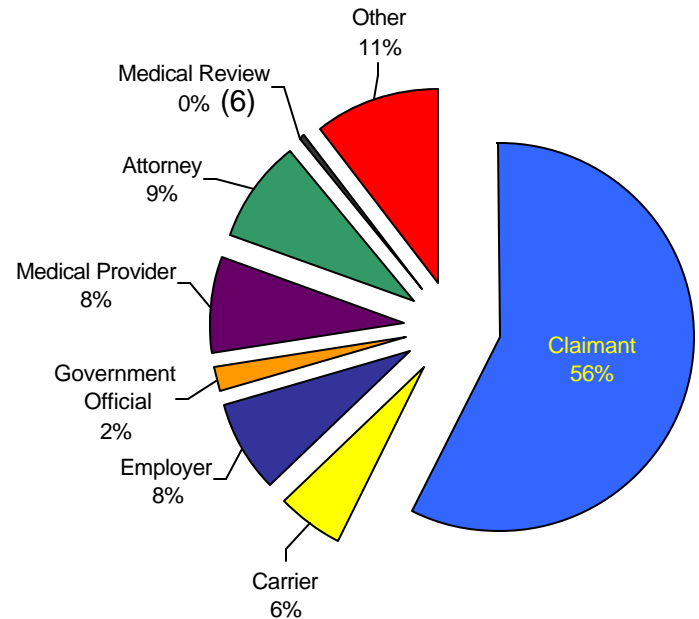
Division of Ombudsmen and Workers' Compensation Specialist Services

Sources of Requests for Assistance

Workers' Compensation Specialists and Ombudsmen received 3,664 requests for assistance during this quarter.

The most common topics of requests related to rights and procedures (2,321), questions regarding claim status (487), and form requests (402).

Additionally, 377 requests for mediation were handled by the Division of Ombudsmen and Workers' Compensation Specialists Services. Successful resolution of 197 mediated cases was achieved.

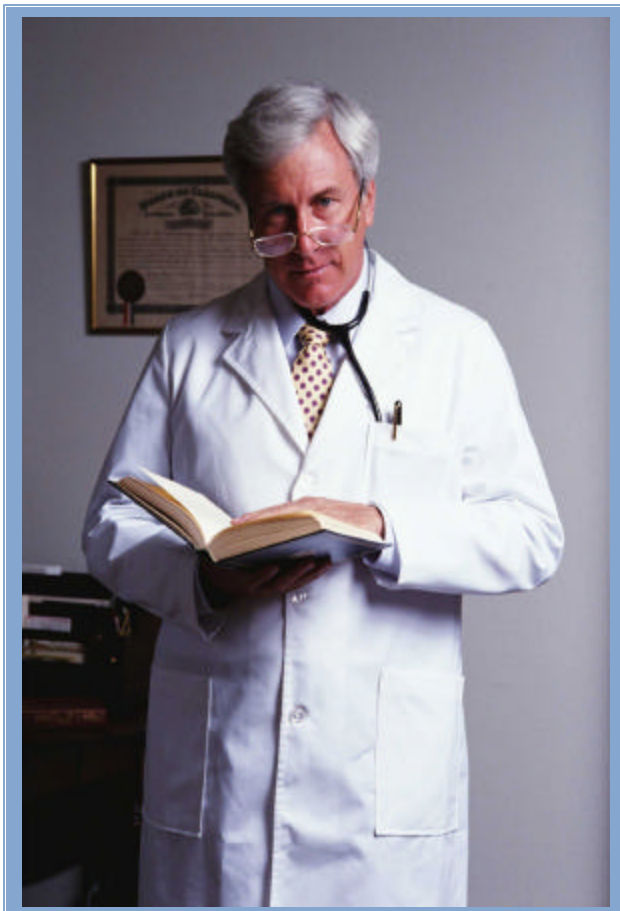


Medical Evaluations

During this quarter, 73 medical evaluation reports were received from the University of Kentucky and the University of Louisville medical schools. The Department's medical scheduling staff received a total of 74 claims to be scheduled for evaluations at one of the university's medical schools.

Of the 74 claims to be scheduled, 46 involved hearing loss and 18 were injury related. There were five claims for fumes/chemicals, three for retraining incentive benefits (RIB), and one for each asbestosis and black lung.

This division also processes all x-rays for CWP to "B" reader panels. The medical schedulers had combined x-ray shipment of 603 x-rays for this quarter. Of the total x-rays, 191 were at the first "B" reader level, 213 x-rays for a second "B" reader interpretation, and 199 submitted for a third "B" reader interpretation.



Division of Information and Research

The **Records Branch** is principally responsible for collection, storage, and retrieval of data and distribution of information. This Branch includes the Coding, Scanning, Data Entry, Agreements, and Research Sections.



During this quarter, the **Coding Section** received 13,476 1st reports through EDI and manually added 506 1st Reports to the Department's database system.

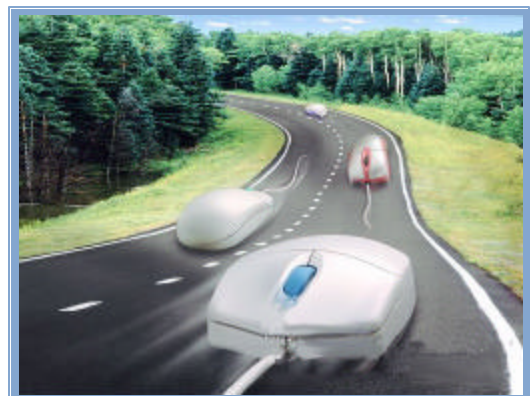
The **Scanning Section** processed 62,404 documents between April and June totaling 441,381 sheets entered into the optical image system.

The **Data Entry Section** received 29,858 pieces of mail (pleadings, motions, responses, documents, etc.), 9,266 orders from the Administrative Law Judges, 490 awards/opinions, and 612 docket orders during this period.

The **Agreements Section** received 1,304 Agreements on 1st reports, 181 agreements on claims, 299 attorney fees on agreements, and generated 4,638 statute letters.

The **Research Section** meticulously collects, reviews, and compares data pertinent to Workers' Compensation issues and to the Department of Workers' Claims. Section staff utilize the departmental database as it provides for a wealth of information that can be compiled and analyzed to establish trends or shifts varying by time period.

The **Technical Support and Design and Development Section** responds to all technical, networking and programming needs for the Department of Workers' Claims. This period, Technical Support staff responded to 336 helpdesk calls. Contivity boxes were installed in all the DWC field office locations, setting up firewall protection. Two servers were also installed in field office locations. Technical support staff wrote login scripts for installation of SSimba on all DWC workstations. Value Private Network connection was installed for the Division of Fraud. Staff replaced two UPS systems and made changes to the Department's website. A database was developed and form letter created for POC Daily Reporting of Cancellations of Coverage for the Division of Security and Compliance, Coverage Branch. A new Rehabilitation Web Tracking Application was also implemented. Screen design for POC, FROI and SROI Interface to SSimba was also completed. Letterhead and envelope templates for all sections were developed.



Division of Security & Compliance

Self-Insurance Branch

Self-insured employers of Kentucky continued to struggle with the impact of the economic downturn and the increasingly limited and costly alternatives available in the voluntary market to meet workers' compensation obligations. In addition to an increased interest in both individual and group self-insurance, the Department continues to receive a growing number of requests for bond reductions and inquiries regarding surety alternatives.

The DWC recently initiated a pilot program with the cooperation and participation of the Kentucky Department of Education in an effort to provide needed financial relief and to reduce workers' compensation injuries for three Kentucky school systems. The program will continue to be monitored closely in order to determine whether it is in fact in the best interest of both injured workers as well as the Boards of Education.

The Self-insurance Branch periodically audits each self-insured group fund, reviews the financial strength of the individual self-insured employers, and determines the surety

requirements necessary to secure the benefits of the self-insured employer's workforce. Self-insurance auditors utilize independent resources including regional and national newspapers, business periodicals, internet business sites and Dun & Bradstreet services to monitor the financial condition of self-insured employers. Auditors also focus on retrieving and reviewing loss data for those companies on the Department's Watch List as a result of their continued financial distress.

Routine Self-Insurance Branch Activities include the following:

- Update the instructions for the 2003 simulated premium and surety calculation
- Complete surety calculations and surety revisions for current and former self-insured employers
- Review annual group renewals
- Address surety reduction requests
- Analyze corporate financial statements
- Analyze, update, and review former self-insured coal and non-coal companies
- Prepare simulated premium calculations
- Prepare loss updates for former bankrupt self-insured companies
- Utilize A.M. Best ratings in evaluation of participating insurance companies
- Prepare re-certification dockets for self-insured employers



Self-Insurance Special Projects:

- Initiated self-insurance examination of Kentucky School Boards Self Insurance Trust (KSBIT)
- Initiated program to identify employers experiencing loss reserve irregularities
- Researched the market share of carriers writing workers' compensation in Kentucky
- Researched surety and reserve issues related to black lung claims relative to House Bill 348
- Researched issues related to asbestos claims

Coverage Branch

The Coverage Branch maintains proof of coverage information received from carriers and self-insured groups for each insured Kentucky employer. This information is submitted to the Coverage Branch through Electronic Data Interchange (EDI) and maintained in a master database eliminating the receipt of paper forms.

Transactions received and processed from all vendors for this quarter totaled 44,263 with an overall acceptance rate of 86%. Both Kentucky Employers Mutual Insurance Company (KEMI) and Workers CompLink maintained the greatest overall acceptance rate among the vendors at an impressive 91% for this quarter.



Enforcement Branch

The Enforcement Branch compliance officers located throughout the Commonwealth investigate the status of Kentucky employer's insurance coverage through on-site visits in order to encourage voluntary timely compliance with workers' compensation requirements.

Citation and Collection Statistics

- Investigations totaled 2,942 with 390 employers found in violation of the Act
- Employer citations issued for noncompliance totaled 72
- The Department of Workers' Claims collected \$78,363 in penalties

Preparation and testing for the system redesign of the rejection notice database and citation legal tracking continued. A cooperative effort between the branches has helped to eliminate the creation of some duplicate records and to prevent loss of employer information.



This agency does not discriminate on the basis of race, color, national origin, religion, age or disability in employment or provision of services.

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